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IMPLEMENTATION OF THE UNIDO REFORM

Report by the Director-General

Summary

Responds to decision IDB.16/Dec.3 and provides information on further implementation of the UNIDO reform since November 1996.

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Introduction

1. In the report to the sixteenth session of the Industrial Development Board on the implementation of the UNIDO reform, UNIDO reported on action taken between April and October 1996. In response to decision IDB.15/Dec.2, the document specifically outlined plans for the administrative decentralization of project implementation, provided information on the involvement of the private sector in UNIDO activities, on UNIDO cooperation with non-governmental organizations, on the new approach of the Organization in the field of economic and technical cooperation among developing countries and on the status of reform elements that had not been fully completed by April 1996.

2. The Board, in its decision IDB.16/Dec.3, *inter alia*, requested the Director-General to continue to pay due regard to resolution GC.6/Res.1, to improve internal coordination, and to continue to focus activities on those areas where UNIDO has a comparative advantage, within the seven thematic priorities.

3. The Board further urged the Director-General to improve the balance between resources allocated to substantive programmes and those allocated to administrative activities, and to continue to implement the UNIDO reform process on the basis of high-quality monitoring and evaluation of programmes as well as through the establishment of demand- and result-oriented planning and budgeting systems.

4. Finally, the decision requested the Director-General to report to the Board at its seventeenth session on the status of implementation of:

(a) Development of Management Information System (MIS) strategy and policies;

(b) Cost accounting system;

(c) Training of managers and staff in new principles and processes.

5. Given the ongoing intensive consultations regarding the future of UNIDO, which will have a direct impact on the further focusing and discontinuation of activities as well as on resource allocations and the organization and staff structure of UNIDO, the present report will not address the issues outlined in paragraphs 2 and 3 above. It confines itself to reporting progress in the implementation of issues mentioned in paragraph 4 as well as other developments linked to the UNIDO reform.

I. DEVELOPMENT OF MIS STRATEGY AND PLANS

6. UNIDO has developed an MIS/information technology (IT) strategy and related policies that focus on (a) the importance of information technology as a primary tool to enhance business performance; (b) infrastructure requirements (hardware, software, networks, communication, training) for Headquarters and the field; (c) information systems requirements for technical cooperation; and (d) new information systems and modes of operation that will support the global forum activities of the Organization. An IT strategy report has been prepared which assesses the needs and the degree of current coverage and makes recommendations on the organizational architecture, the technical architecture, the statutory human resource requirements to provide continuity for essential services and the remaining human resources available for new activities.

7. UNIDO's Information Technology Management Committee, whose membership was newly composed, together with the membership of the Information Technology Technical Committee, by Director-General's bulletin UNIDO/DGB(O).49/Amend.1 dated 18 April 1997, has continued to discuss the MIS strategy and policies under review. A separate working group was created to finalize the IT strategy by recommending priorities for an implementation plan and preparing an executive summary linked to the overall priorities and goals of UNIDO. The working group is expected to conclude its assignment in the autumn of 1997.

II. COST ACCOUNTING SYSTEM

8. The development of an internal system for matching costs with income was initiated following the introduction of a revised methodology for allocating operational budget resources to UNIDO programmes. The new methodology, which was first applied during the preparation of the 1996-1997 programme and budget proposals, ensured that operational budget resources were allocated to programmes providing reimbursable technical and administrative support to technical cooperation activities. As a follow-on from the new budgetary procedures, systems were introduced to identify the income earned on technical cooperation projects by those programmes providing the technical and administrative support.

9. An internal reporting system has been developed that provides a monthly tool for management to monitor the financial performance of those programmes contri-

buting to the generation of operational budget income, permitting a comparison of income earned with expenditure incurred at the programme level. The cost-income ratio trends, together with the recent survey of staff undertaken for the purpose of cost measurement, will provide the basis for the allocation of operational budget resources in the programme and budgets for 1998-1999 in accordance with the proven demand for technical co-operation services for which cost reimbursement income will be earned.

III. TRAINING OF MANAGERS AND STAFF

10. Training in the implementation of the management principles and the new performance evaluation system began in late 1995, continued throughout 1996 and into 1997, highlighting the importance of managerial effectiveness and accountability and stressing the link between individual and organizational performance. In this context, workshops were organized for management at all levels to enhance the skills of managers in conducting the mid-term review of assignments. Briefing sessions for executive management, refresher workshops for all divisions as well as divisional facilitator workshops were held in late 1996 to ensure that the 1996 year-end performance evaluation reached a successful conclusion and to provide a sound basis for an effective planning and review process in 1997.

11. To further reinforce the management principles and support the new performance evaluation system, managers at all levels were trained in the principles of coaching and counselling to build communication skills necessary for effective performance management.

12. Training continued in the areas of presentation skills development, effective interviewing skills, communicating through public media, making meetings work, and career exploration and professionalism for support staff. In addition, a team-building workshop was organized for members of the Joint Advisory Committee (JAC) to help define team development and effectiveness and establish realistic, challenging goals within today's UNIDO.

13. A working group of the JAC on staff advancement through learning has been established to deal with issues related to promoting and developing the Organization's human resources in light of the ongoing reform process. The working group has been tasked to develop, *inter alia*, an organizational policy on learning and skills upgrading.

14. Training started on the new project cycle management guidelines, focusing on integrated programme and project development under the Organization's thematic priorities. Enhanced training efforts are now being launched following the issuance in April 1997 of the Director-General's bulletin on programme and project implementation.

15. New programming arrangements for United Nations Development Programme (UNDP) resources came into effect as of 1 January 1997, with related changes in the format of project documents, approval mechanisms and the system of support cost reimbursements. Following the issuance by UNDP of relevant guidelines, in-house briefing sessions for programme managers and support staff of all concerned divisions were started early in May 1997 and are expected to be concluded by the end of June 1997.

IV. OTHER REFORM-RELATED MEASURES

16. Following intensive in-house consultations with all concerned programme managers, Director-General's bulletin UNIDO/DGB(P).67 was issued on 23 April 1997, which defines the policies for the implementation of UNIDO programmes and projects financed by extrabudgetary resources as well as those undertaken under the Regular Programme of Technical Cooperation. The bulletin constitutes an integral part of the quality system of UNIDO for its services and sets out the roles and responsibilities of team leaders and project managers involved in the implementation of technical cooperation projects (for further details, see document IDB.16/18, chap. I).

17. Director-General's bulletin UNIDO/DGB(M).70 has been finalized and will be issued shortly on the management of Headquarters consultants and individual contractors funded by the regular and operational budgets. With a view to achieving simplification and efficiency as well as in the spirit of decentralizing functions and delegating authority, the authority to approve the engagement of such consultants and individual contractors will be delegated to programme managers. The bulletin establishes the general principles and procedures as well as monitoring and reporting requirements and defines the responsibility, authority and accountability of the officers concerned.

18. A Director-General's bulletin on programme and project evaluation is being finalized and will complete the set of guidelines covering the entire management process for UNIDO services. The bulletin will define policies for evaluation of UNIDO programmes and projects financed by extrabudgetary resources as well as the Regular Programme of Technical Cooperation, and their operational implications as regards the processes, procedures, instruments and responsibilities of organizational units involved.

19. Aware of the urgent need to streamline administrative procedures by eliminating unnecessary bureaucratic controls while keeping or improving essential

controls, a working group consisting of the audit focal points has recently started to identify remaining bureaucratic controls that add little value and could be further streamlined or eliminated. This task will be of a continuing nature for the rest of 1997.

V. OUTLOOK

20. Given the ongoing process of reorienting UNIDO activities and defining the future of the Organization within uncertain resource scenarios, further reform measures will be defined and put into operation during the coming months. A comprehensive report on reform achievements and further reform requirements will be submitted for the consideration of the seventh session of the General Conference in December 1997.

VI. ACTION REQUIRED OF THE BOARD

21. The Board may wish to take note of the contents of the present document and provide further guidance.